

Opinion

The only victim here is Telstra's share price



PETER
COSTELLO

There are plenty of reasons to be critical of Sol Trujillo's performance as chief executive of Telstra. Race is not one of them.

Kevin Rudd was foolish to take a cheap shot – saying “adios” – when Trujillo left. And Trujillo is milking it as evidence that Australia is racist.

But come on, Sol. You came to Australia and took up the prize job in Australia's telecommunications industry. After four years you are leaving with \$30 million of cash and bonuses. And you want us to believe you are a victim of racism?

Trujillo has his critics. Let's recount some of the reasons.

When he started, the Telstra share price was about \$5. After four years it is about 40 per cent lower and hovering a little above \$3. You decide whether that is worth \$30 million, but since the board offered, you can't blame Trujillo for accepting.

He left the company early – before his official retirement date at the end of June – and left the country. He is not returning. Nor is the team of American executives he brought with him to run Telstra. Trujillo was allowed to bring in a small handpicked American team of long-time associates dubbed by the media as “the three amigos”. Most famous of these was Phil Burgess, who was head of regulatory affairs.

Burgess waged unrelenting war against the regulatory regime which allowed competition to Telstra on fair and reasonable terms as determined by the Australian Competition and Consumer Commission.

He thought Telstra should not have to let competitors use its network at the kind of prices the ACCC was talking about. Telstra took every legal point

that it could – eventually ending up in the High Court, where it lost.

It tried to intimidate and bully the regulator. At one point it set up a website to attack the ACCC chairman, Graeme Samuel, which launched a campaign called “time to go Graeme”. I have never seen such vilification of a statutory officer.

Burgess famously remarked that he wouldn't recommend Telstra shares to his mother. Perhaps he should have been more specific and said he wouldn't recommend his mother buy shares in a company that employed him as its regulatory director.

Before 1997, Telstra had been a public monopoly. The then Coalition government, at great political cost, decided to make it a private sector company and open it to competition.

There is no advantage in replacing a public monopoly with a private one. Competition meant withdrawing the privileges Telstra enjoyed as a government entity so other companies could compete on a fair basis. Telstra management liked the privatisation but they were very hostile to removing the monopoly privileges.

There are times when an outside executive from another country brings valuable change to a corporation: Paul Anderson and Chip Goodyear at BHP or Bob Joss at Westpac spring to mind. But to bring in an outsider to Telstra who had no understanding of the previous life of Telstra as a government monopoly, no appreciation of the sensitivity of the privatisation, no respect for the role of the regulator to promote competition, and no inclination to understand these things, was a big mistake.

The American team thought in a smaller country like Australia a regulator would buckle to a telco giant.

It might work in the United States, but to the credit of the ACCC and the government and ministers who backed it – particularly Helen Coonan – the three amigos had no such success here. They misjudged the Australian temperament.

Under the Coalition, Telstra didn't want to compete for funds to extend broadband coverage. It wanted taxpayers' money directed into its infrastructure. Subsequently, Telstra pulled out of Labor's broadband tender.

The upshot is that when Labor's tender failed, the Rudd Government decided to commit taxpayer funds to a fibre network with no business plan, no guarantee of commercial return, no due diligence – with no process – just to save face on the collapsed tender. It is a gamble of unprecedented proportion. Unless the Government listens to some reason about this proposal it could be one of Australia's great commercial disasters.

Trujillo says he changed Australia. Not in the way he thinks. One change is that corporate boards are going to be more wary of overseas appointments in future. Australian executives are as good as any in the world. A chief executive who understands the country and has a long-term interest in its future is a valuable asset for a company in a sensitive sector.

The Telstra directors could not have been surprised things ended the way they did under Trujillo. His previous track record was there for all to see. In my view, the board has a lot of explaining to do. It's about judgment and performance. It is not about race.

Peter Costello is a former federal treasurer and the member for Higgins.